

STATE OF NORTH CAROLINA  
RALEIGH, NORTH CAROLINA 27601



MINUTES

Joint Legislative Oversight Committee on Information Technology

Thursday, April 12, 2012

The Joint Legislative Oversight Committee on Information Technology met on April 12, 2012 in Room 1027 of the Legislative Building at 1:00pm. The following members were present: Senator Andrew Brock, Chair, Senator Bob Atwater, Senator Ralph Hise, Senator Buck Newton, Senator Dan Soucek, Senator Stan White, Representative Marilyn Avila, Representative Larry Bell, Representative Kelly Hastings, Representative Jonathan Jordan, Representative Phil Shepard, and Representative Joe Tolson. Staff Members: Karlynn O'Shaughnessy, Peter Capriglione, Phyllis Pickett, Brenda Carter, Grant Brooks, Larry Yates, and Janet Black.

Chairman Brock called the meeting to order.

**Information Technology Internal Service Fund – Jonathan Womer, State Chief Information Officer – Attachment 1.**

**ITS Budget:** I am going to go through real quick about the Internal Service Fund ITS, explain a little about it, how it works and what we are looking like this year and a little next fiscal year. It is a receipts based fund bringing in somewhere but not quite \$200 million a year. Somewhere between \$150 million to \$200 million is usually how it has fluctuated historically. Receipts come from the Agencies for services, this is often Federal Money as well as General Fund and Highway Fund it is a mixed bag from lots of different places and there is nothing appropriated to it directly. These are all receipts from services that ITS provides to Agencies. We operate very much on a cash basis, we pull in a lot of money, run these different services and the expenses for that and we try to keep everything balanced. There are two components – it is the rates that ITS charges to Agencies and then the volume that they demand for various areas. That can move in various directions over time, in general, ITS tends to be something where costs reduce. Often you will see a generic trend line for a particular service; rates will be going down and usage going up. There are obviously fluctuations to that and a lot of different things going on - but in general those are the two trend lines.

ITS must operate under Federal OMB circular A87 because we have so much Federal Money coming in. One of those pieces is that we are not allowed to hold more than a 60 day cash balance at a given time. We have been refunding money to a lot more Agencies this year than in the past. That is not uncommon in general, because with these Federal Rules in place we are just not able to hold a giant cash balance without incurring substantial penalties. There was some money taken out of the Internal Service Fund around 2004-2005 to create the ITS Fund that is an appropriated set of money; because that was taken improperly under the A87 Rules we are probably going to have to pay a penalty of \$1.5

million dollars. The other piece is the HB 200 capped receipts into the Internal Service Fund at roughly \$190 million dollars it is possible to exceed that but there is a process that has to be followed working with the Legislature.

**ITS Current Fiscal Year Refunds:** In December because of over collections from the Agencies - ITS returned about \$4.5 million dollars another \$10 million dollars was returned April 3<sup>rd</sup> to the Agencies - to be exact \$8 million dollars to what you would think about of as Agencies the other \$2 million dollars involves a lot of Local Funds, Universities and some Federal Programs. It is likely we are going to return more money before the end of the fiscal year we are targeting May 1<sup>st</sup> as a possible date. That could be as great as \$5 million dollars.

**FY 2012-2013 Budget:** For next year's set of rates we are involving the process with OSBM - statutorily they review and approve our rates to create a new rate structure for the next fiscal year. While I am sure Agencies enjoy getting money back it is not really optimal. We would really like to be charging rates that have us a lot closer to breaking even - it provides a lot more stability for planning with the Agencies. We are going through a new rate setting process - it looks like it could be between \$15 million dollars and \$22 million dollars of savings for the Agencies depending on what choices they make - we have a lot of flexibility in what service levels they would like to hit. There is a relationship between that savings we are looking at for Agencies and the money we are returning now. ITS has gone through a process of trying to reduce costs this fiscal year. ITS has eliminated 62 positions in FY 2011-2012 there is probably more that are likely; we will be leaving our leased space the end of April ; the other major thing we have going on, is the internal audit relationship we have started with OSBM – providing financial auditors to further review our rate process.

**Internal Audit Initiatives:** The rate setting process has got some automation and some tools - there are two billing systems. These systems are not across the whole board. A lot of that process is manual and it is not well documented currently. So one of the big tasks the auditors are going through is documenting the process of creating new rates and how rates are put together and the billing process and making sure that is documented to identify gaps because some of the problems ITS has had over the years - because it is manual and there is enough steps in it occasionally things gets dropped along the way. One of the things in particular is our inventory control system; this is not inventory of Agencies ITS; I am talking about inventories inside of ITS. It is not like we are losing servers it is more about what piece of which ones are used by which Agency to make sure the proper billing is going on along the way.

**Next Steps:** The rate process that we are going through with OSBM is it all we are doing? The work of these internal auditors is going to be an ongoing issue for this organization and we are expecting changes throughout the physical year. I primarily mean reductions and improvements of transparency and accuracy.

**Challenges:** There are a few challenges that the ITS Internal Fund exists – customers start leaving in different service areas – due to the fact that we are not keeping up with the areas that the private sector have competing services – there are areas that we simply have to get out of, because the cost structure does not work for us – the other piece that we really have to make sure we improve on is our transparency – and hopefully automating that process so any given customer or the public can see how we are putting things together and what it is likely to look like for planning purposes in the future.

## Questions?

Representative Tolson – I would like more detail about the penalty to be paid? Answer – As I understand it money was taken out of the Internal Service Fund and moved initially to the ITS Fund to pay for the ITS Fund initially, I do not think it was the entire portion of it, but it was a lot of it and because the Internal Service Fund had a lot of Federal Funds in it and they then went to a use that; the Federal Funds necessarily authorized it is likely we will pay a penalty to the Federal Government as a result. This is still being negotiated.

Senator Hise – The first question I have is that you are conducting a physical inventory of all assets, when do you see that being completed and why is it just consolidated Agencies that you are doing that for? Answer – The inventory in these slides is all about focusing on our billing structure and making sure that what we are operating for Agencies is accurately reflected in their bills and their rates. We know what we have on the floor. Again what is the exact mix for each Agency? That is likely to be completed by the fiscal year. There is another effort on inventorying what is out in the Agencies. ITS does have a tool that can look across the network and look at other Agencies and see what other assets they have accessing the network and start cataloging them. I do not have a time frame for you right now, but I can certainly go back and try to get one. Follow-up – You also talk about your next step will be deeper looks in hosting and networking – is that a look at outsourcing your hosting and networking capabilities to a vendor or third party? Answer – No what I really meant by that those are two biggest revenue streams and that server inventory is going in and looking at it closer. Now are there pieces or parts of some of those that it might make sense to outsource in the long run – there might be. In terms as a step process this whole work on trying to figure out what our costs are associated with each service is a great way of learning which areas might make sense to get rid of. They are related. Follow-up – You also mentioned that one of your challenges being looked at economies of scale; do you have any efforts in place to bring those Agencies back under or specifics you think you can bring them back so that the scale exists across all State Agencies? Answer – There are mandates that certainly can help with that sort of thing, but I have been approaching Agencies and basically telling them that if we are not offering a service you actually want to use, generally that is across the board, then why is ITS; either ITS is operating a service very poorly and we shouldn't be in it or - it is not an either or – then ITS shouldn't be operating a service that nobody wants to use. So one of the big areas is that we are reducing rates in a lot of these services and in general, one would think, assuming we are delivering decent quality, that people want to come on to those areas. There are clearly areas we have seen some growth and demand that Agencies want to join. Certainly the easiest way to improve those economies of scale is ITS operating a more efficient organization and operating it with a competitive cost structure. To add some value to what they could get in the private sector.

Representative Avila – There are a couple of Agencies going out on their own, going into an enterprise area and other Agencies have started to make use of that. I saw a diagram recently where the before and after shot was individual silos and the follow-up was one that showed horizontal merging across lines. Is that something that we could work towards and I understand it might put you out of business, but would that be more effective in terms of how we operate rather than trying to consolidate – you doing everything for every body? Answer – In general I think that is a good way to think about it. We have certain layers of ITS, there are infrastructure stuff which is a lot of what ITS does and most of the consolidation work that ITS has been talking about is that layer. There is another layer above that which is about connecting applications, having them to be able to talk to each other and that is a state wide function probably should be at ITS - data architecture, standards for big applications communicating with each other. Above that there are applications and where we have a really good application in this

state we should leverage that regardless of where it is. So if there is an application that is running well, has a good cost structure and Agencies are pleased with its performance and we have business processes that are similar – yes wherever that is it should be leveraged. Follow-up – Some of the things in getting information and some of the reasons some people do not do business with you is because your rates were so high – when you look at what they can do on the outside is there justification for having ITS, if we cannot compete pricewise with what is available out in the general market? Answer – ITS should be adding some level of value above what you can get out in the private sector, I think that is generally clear. Now there are infrastructure areas where, I think, you could argue that it does. There are certain sides on the security piece which starts to get into policy that you might want to hold onto no matter what – there is data protection and data privacy issues that might be in that discussion. There are also areas on economies of scale and governance. I am going to talk about those more when I speak on Consolidation. I will say if you just look at the trend line of Government and ITS – it is likely overtime more things will go to the private sector. Now is that something that happens two years from now or twenty years from now it depends on about fifty different things. ITS generally becomes more efficient to operate on the outside over time. Now, where you are in your particular service is a debate. Follow-up – In dealing with broadband in the state there is a two pronged broadband system – we are having Community Colleges and Schools etc. going in one path and we have another path. Can you clarify that for me? I am getting confused where we are putting our broadband and economies of scale, I would assume that that would be an area that we could take advantage of? Answer – On networks and broadband, in general, ITS mostly leases things. That is outsourced already; we manage contracts with providers that own physical networks. We have some access to some hardware that routes the data but for the most part we manage contracts. So, we have economies of scale – we are renting stuff from AT&T. AT&T has lot of customers and they have a price point for us. The other broadband work you are referring to is in the MCNC and they own physical pipes. The logic in that has been that universities and other education entities need to share things across levels of education and for what ever reason you went through to own those pieces and there is some business synergy for connecting all those places directly. The more you put on it there is more economies of scale and there would be eventually more savings. They are very different models. Is there potential to talk about those models together? Probably but it would be a wholesale change in at lease how one of them operates. Follow-up – In terms of MCNC from a price point standpoint from what they have furnished is that comparable as to what AT&T could do? Are we paying more or less, how are we figuring this by going a diverted path? Answer – The short answer is I do not know. I know there has been some attempts to look at that but every time the numbers sort of happened for some reason they were never apples to apples and no one could really answer the question. Follow-up – I paid \$59.95 a month to get internet service and I know what I am getting. You are telling me that we are paying for service and we do not know what we are getting and what the price point is? Answer – It is not so much the price that I was referring to as the cost. MCNC has some endowment and it has some other pieces to it and I do not no the answer to the question about the cost comparison. In terms of price comparison I am sure I can get that information.

Senator Brock – Two years ago we gave more authority, flexibility to the State CIO and looking at our Agencies and comments about additional savings and also about different agencies that will have the flex to choose what they want. With these Agencies choosing they may not choose the most physically sound service. Will you exercise your power to make those agencies come together with a reasonable budget request? Answer – Most agencies do not request things specifically in a budget for ITS. Most ITS spend is caught up in larger program pieces. But some of the flexibility we are giving say on desktop. There are some agencies that have the ability – they want a cheaper way to be able to do things. So one of the ways we are looking into is to get e-mail and desktop services in a virtual environment where they

have to pay a lot less money. The best way that that gets enforced is them having certain levels of budget that drive them to certain levels of behavior. Mostly, we have been seeing demand for the Agencies for these cheaper levels of service because they want, in these fiscal times, to reduce their budgets and get access to a cheaper way of delivering the same level of service or comparable level of service. On the other hand, they have never had this service at all because they have had certain employees that could not get access to the higher end stuff we were providing. So that is the area of the variance of service levels. Now, if you are talking about simply Agencies saying – well, I know you provide this Buick and there is a Cadillac from the private sector – yes, we will be looking at that hard. It is a little bit different from the ITS Fund because it is a service organization but then there is the more regulatory oversight we do with the State Budget Office and that review will be taking place.

## **Information Technology Consolidation – Jonathan Womer, State Chief Information Officer – Attachment 2.**

**Outline:** I am going to go through – What is consolidation? - A little history – A new focus – Issues – Next Steps. Consolidation is about sharing. It could be in a lot of different levels - the beauty and the problem with ITS - is sometimes those levels overlap and really touch on each other all over the place. One is the base infrastructure the networks “things” that are really sort of foundational that no particular user ever really sees. Some of it is a little bit higher, that is, the communication between individual applications or development platforms that help build applications. Then you can get to the fun stuff the applications which are the general idea that lots of similar organizations do very similar things. There is a tension in consolidation between being able to be responsive and customized and being able to be efficient and relatively singular or monolithic and that is a good tension and it is a discussion that has to be had at every step of consolidation. You do not want to force hard particular business processes through an ITS tool – it is suppose to be there to improve the business process or make it more efficient – that doesn’t match very well. On the other hand, if the business process isn’t particularly designed with a lot of specific logic in it and can be modified to be more common – that would be more efficient.

**Consolidation in North Carolina:** In the past, there has been some serious look at data centers – that was one of the first major consolidations that North Carolina undertook. In 2005 there was a lot of consolidation among some of the smaller Agencies where ITS took over a lot of their IT infrastructure and desk top support. In addition, we also provide consolidated services to Agencies more broadly whether it is in telecom or network and that tends to be based on whether agencies are interested in doing that. We have a number of discussions currently with DPI to help with those efforts. So, we have talked about consolidation in terms of bringing whole Agencies under, there also has been a quiet consolidation in various fronts on the pieces and parts that individual Agencies have wanted to use at ITS.

**North Carolina Today:** See diagram on page 3.

**A Shift in Focus:** In 2009 there was some redirection in the area of consolidation to focus more strategically in those areas where there is security or operational risks and where a consolidated approach would be more efficient. ITS moved more in that direction.

**A Case Study:** One of the major consolidation successes was working with DENR in the move DENR to a new building there was a lot of underlying infrastructure that DENR asked for us to help and take over. We are basically operating all of DENR’s infrastructure save – desk top right now.

**Going Forward:** This targeted approach makes a lot of sense. There was a book a long time ago about the Killer App – it was based on a study of e-mail – the big thing that actually drove a lot of people to buy computers - that is a fundamental business strategy – if you can look at the core business needs of an organization and deliver that benefit to that organization it starts to break down all those barriers of resistance that stood in the way when it was a more abstract concept – that is a strong strategy in being able to help consolidation move forward. ITS needs to do a better job of service management as different as service operating. On the network and telecom fronts a lot of our organization is relatively outsourced – we are managing contracts that provide services to Agencies at large. That structure is going to increase over time – it is the trend line in government in general.

**North Carolina IT of the Future:** See diagram on page 5.

**Issues:** On the idea of a service management organization ITS needs more people that are adept at doing contract negotiation and managing very large contracts. We have some pockets of that in the organization that we can build on but it needs to be replicated across the organization. There is an issue of governance that we all have to work on. One of the biggest common failures for ITS consolidation is in that area of governance. Oftentimes people try to push ITS consolidation to solve problems that are really organizational consolidations. I would stress that is something that should be avoided. The best way to have a consolidation blow-up in your face is the ITS consolidation and the organizational or governance consolidation have to go hand in hand over time for success. That does not mean 100% organizational consolidation, one giant Agency, but levels of organization change that make the business processes operate together in a more cohesive manner. For instance, you will talk about the Grant System later - one of the reasons that might have a good chance to succeed in consolidating across all Agencies – there is some level of cross agency business process – that is managed at a state wide level and that creates certain standards at a state wide level – and one central organization to do that. Pairing that level of governance with that level of IT consolidation have to go hand in hand to ensure success.

**Next Steps:** I have covered these areas. We are seeing agencies come to us and we will have to have more discussion.

**Questions:**

Representative Avila – Looking at the diagrams – we are looking at BEACON and that is across everything – explain to me - Where it is? - Who maintains it? - Who is running it? - How it interacts with all of those other agencies? Answer: BEACON is a state wide system for HR and payroll – it is on a SAP platform and it is hosted at ITS – OSC runs the application on behalf of the various Agencies and on behalf of the state wide organizations other than OSC that set the policies of the system. OSP, for instance, writes its regulations on personnel but the HR system is at OSC. The idea at putting some of those pieces there was there was some thought that there was going to be a need to replace the accounting system. The accounting system is what you would call the central pillar of any ERP, but the idea, is all the business function applications that could be state wide are often linked together. Your personnel system has real big implications for your accounting system; your procurement system has big implications for your accounting system and all of those tools that they will link together dynamically could provide you with a lot more information and a lot better analysis and a lot better accuracy to operate any organization. I think during the last IT Oversight Committee Hearing there was some discussion about procurement systems and its inactions with the accounting system. There has not been any movement on the

accounting system side that is a better question for OSC than me. In general, that BEACON system is being maintained, I have not heard of any major enhancements since it was deployed a few years ago.

Follow-up: You referenced the SAP platform and my understanding is in other areas we are working with some fairly antiquated platforms – What is our plan to upgrade that and how is that going to fit in with what you are planning to do? Answer – When you said that which are you referring to? Follow-up: For our basic platform? Answer - The SAP? Follow-up: For everything else? I am hearing Cobol – I haven't heard of Cobol since 1971 when I graduated from college. Answer – We are running quite a few major Cobol systems in state government. Most and probably all of them run on the state mainframe – on it now - the budget system, 17 or 18 systems in HHS – a lot of the revenue system – things are changing – the budget office is looking at and developing a new budget system that would then be on servers and using COTS software – NC FAST is rolling out new customer relationship management and eligibility support tools which would take a lot of those applications off the mainframe. In general, many agencies are looking at that. The reason that things have stayed on the mainframe overtime – I think – once a program is up and running – it is a matter of hitting the button it does the same thing over and over again and often there is not a lot of money to take it out. We are starting, finally, to get to the point where changing and creating a new system can offer significantly more value to these organizations – and they are coming around towards pulling these systems off the mainframe and putting it on a more modern server architecture with COTS software. Interesting in one of our changes in our rate structure has to do with HB 200 and not wanting to see as much subsidy across different services - that mainframe service that ITS has been offering and charging overtime has subsidized other operations that were provided to ITS – one of the likely outcomes of our work with OSBM is having that cost of mainframe operations for Agencies drop significantly. That might actually change some of their calculus on how soon they were thinking about pulling things off the mainframe and creating a new system.

Follow-up: I guess what my confusion is – we are going into a modernization in consolidation and we are building it on prehistoric - is that going to be the most cost effective way to go about this? - To start that kind of a process when you have the basics where they are? Answer – Most of the antiquated pieces are associated with individual applications – so when we look hard at – so there is infrastructure consolidation and ITS for better or worse tries to do a very good job of making sure the infrastructure pieces are relatively modern. They are commodity also – those things ware out – you buy new ones – if we are doing consolidation in an applications space it behooves us to focus hard on those applications that are on a very modern platform and I think that is in part why the Grant System is here today – the modern infrastructure it sits on – the modern cost products that exist with it and how that could be leveraged across a lot of applications that are not nearly as automated - so there is a lot of paper or are not on a very automated system to begin with. When you get to the world of hosting where those applications sit it does get a lot more complicated in terms of modern vs. antiquated. We would like things to be in a more virtual environment - then things could be a lot more standardize because that could save us a lot more money but there is a lot of spaghetti and knots with how things are hosted – whether it is at ITS or some of the agencies because a lot of those standards have not been met. That is a lot harder problem for us to sort through in terms of being modern – it is not a significant issue as making sure your applications are generally modern. That is were the big savings for organizations is.

Follow-up: You referenced earlier that you had eliminated 62 positions in your operation – as we move forward in this consolidation are we going to see more of that? As we move into areas that are less manually driven in these processes and we are doing more technology driven where could we look forward to seeing that? Answer: In general ITS makes business processes more efficient. Savings are very difficult to achieve without having some level of workforce reduction when you are doing that. One of the reasons people are talking about our unemployment being so high yet our productivity is growing in society in general – so there is likely to be more reductions. Now whether

that is filled positions or cross training and attrition is a different discussion. Yes there will have to be more of that over time for money to be saved.

Senator Hise – Moving from a service provider to a service management organization – Do you feel you have the statutory authority to make that transition? Are there things that you need from this committee and others to make recommendations that would be necessary to make that transition possible? - outsourcing and other things looking at HB 200? Answer: Absolutely - there are a couple of different areas in ITS you might think of us as highly outsourced already - the network and the telecom – there are improvements that could be made to those processes to make us more of a modern service management organization independent of looking at other areas to take to that model – In HB 200 there certainly is a process to go through for that level of outsourcing and to be clear there are different kinds of outsourcing – one thing that ITS does a lot of is simply have a convenience contract that Agencies can buy off of – they can buy off four or five preapproved vendors and they are on their own – then there is outsourcing where you have got a vendor that is really supplying “it” for everybody – which is typically what people talk about outsourcing – there is a process involved in there that certainly requires a dialogue before we went down any particular route – we would want to have that dialogue – if this body felt like that some of that process should be streamlined – we would be happy to talk about that but we are anticipating a dialogue no matter what – however, this body wants to have that conversation we are happy to have it. Follow-up: The next thing we have to talk about is targeting consolidation - Can you give us a sense of physically what is the next step? What are the Agencies, what are the processes, what are the applications next steps moving toward that kind of consolidation? Answer: No! I hate to be so flippant – we spent so much time right now looking at the different service areas and trying to make sure those rates are right that has been very informative to this next level of discussion about which service areas in particular we should focus on at your discretion I would like to come back with that answer and point to the four or five things and talk about those things as to why, because they are a little bit different, they are not monolithic in their reasons about why it might make sense to move on those areas. If you want to have that conversation we are happy to have it. I am not prepared to do that at the moment – we are still working but that is something that is weeks away not months away from being able to have that conversation. Comment: Will we be able to have that scheduled before this committee before we make any directions to make sure we are informed of that process. Answer: Yes. Comment: I will be happy to be there.

**Department of Health and Human Services Case Management System Consolidation – Angela Taylor, Information Technology Director, Applications, Department of Health and Human Services – Anthony Vellucci, Program Director, NC Families Accessing Services through Technology (NC FAST), Department of Health and Human Services – Attachment 3.**

Angela Taylor:

**Legislative History:** Session Law 2011-145 Section 6A 7(b) Last year we were asked to work with the State CIO to develop a plan to implement a single case management system throughout DHHS this was to begin 2012-2013 fiscal year to provide a timeline for completion and provide explanation of the costs.

**Background:** Part of the background was that we worked with the CIO’s office we met and we looked at the current efforts, within the Department that were underway around Case Management – those that were planned and we also looked at some automation efforts that were also underway. We have also in the past and currently are looking at re-engineering – a lot of our business processes across all the divisions and we also looked at focusing in on some of our IT solutions. The consensus was that the



State CIO's Office and DHHS was to focus on the Curam Business Applications Suite. This COTS application was purchased as part of the NC FAST initiative, a few years ago, and it has been moving forward, we want to leverage solution and look at how we can expand that across the Department. The current application suite is a composite of meeting business specifications and automation in an enterprise framework.

**What is Case Management:** If most of you go out and "Google" this you will find a variety of definitions for Case Management. The simplest and basic terms for DHHS it is the process to plan, seek and monitor services for different social agencies for a client.

**Re-engineering Business Processes:** Part of that process also involves assessing and planning for the families, working with individuals to make sure that we get the most cost effective outcomes for those services that we are providing for DHHS. We have been underway for several years, across the Department, looking at streamlining processes – looking at re-engineering those business processes and transforming our services and our benefits to eliminate some of the business silos that we have. Part of that is also looking at integrating those services and looking at solutions to meet that. As you can see this diagram shows some of the different aspects of that re-engineering as providing different accesses for families looking at assessments and improving upon the ability to provide those services and then the case management piece which is basically to provide some of that automation, tracking and monitoring. The basic outcomes and evaluations are the key thing. In order to improve upon those you have to continuously look at those outcomes.

**Curam Business Application Suite:** Historically in the Department and several other Agencies we have gone out and bought these COT solutions that were very specific to a business need. With the Curam Business Application Suite it really is the next generation of COT's products. It expands upon leveraging enterprise wide implementations and it also is more flexible. If you look at the slide the enterprise framework sits on the bottom of this infrastructure and what it does, it provides the ability to expand and move this application across the Department to really meet the needs of the Case Management Consolidation. It provides the move engine that allows us to open up for clients using the application or end users – they can look as rules – whereas today in the silos of applications that we have - you have manuals that are very big - you have to go through those manuals and look up what those rules are – this infrastructure provides the ability for those rules to be built into the system and you can look over and over what was applied based on that Business Rule at the time.

**Curam Enterprise Modules – second level:** That basically can be leveraged like the financial modules as you move forward with implementations. At the very top are those Curam specific modules that have been developed for a specific program level. You can look at Child Care, Youth Services, and Adult Services and also on this slide you will see some things that are not specific to DHHS – some of those are the Unemployment pieces. We have worked with other Agencies and talked to them about this infrastructure trying to leverage that, not just within DHHS but also outside DHHS. One of those efforts is with the DOI to help meet our Federal Health Care Reform Requirements that have been put on the Department.

**Approach:** DHHS in coordination with the State CIO's Office looked at further defining the DHHS approach for case management and evaluating the Curam solution for appropriateness of fit – leveraging some of the enterprise services that exist today and then ongoing efforts with NC FAST leveraging what they are doing today and learning from those lessons learned.

**Curam Solution Appropriateness of Fit:** What is the Curam solution appropriateness of fit? Basically it is looking at expanding and changing business needs evaluating the enterprise tool. Prior to taking on any future procurement within the Department what we want to do is look at each initiative, look at these business needs and see how that current framework would work for us. One of the challenges is it is kind of hard to show a business person how a framework can meet those business needs. That is we need to grow that knowledge within the Department so that the business understands how that infrastructure can be leveraged and how it can benefit and also training more of our IT staff – which we have been doing overtime.

**Enterprise IT Services:** Within the Department we have several IT solutions that we have used over the last several years. One of those is our client services data warehouse as we move forward some of these COT solutions like the current framework they have reports out of the box but we also have enterprise reports that are federally mandated that they may not meet. So, the customer services data warehouse is where we are pushing that. It provides county and state staff the ability to create reports and leverage enterprise reporting efforts in looking at a client across all these applications. One of the things to understand is that it is services and our health services side of the house. So it is the human and health that are using this warehouse today. The other piece here is what we call our common name data services. That is a shared depository that provides an enterprise person database which allows us to have a common identifier across all these applications within the Department. With this enterprise approach we have services that each application can consume. There is not application specific information within this database it is really just demographic information. Lastly, one of the things that we are leveraging at NC FAST is the enterprise service bus. That is an infrastructure that allows us to communicate across internal applications within DHHS and also external. It is like the communications bus between all these applications and it provides a lot more enterprise level things than we have had in the past. One example is, that today there are certain applications that need to come across and leverage some of the other IT services that we have – but because of the different infrastructure that we have we were not able to secure those things like we needed to. The enterprise service bus will provide that ability and also provide governance. Lastly, we want to make sure that there are some long term strategic plans with this. One of the things that we are looking at is this enterprise service bus, something that other agencies can leverage. The long term vision is to expand this capability across all agencies.

Anthony Vellucci:

**ESB Support for NC FAST and Health Benefit Exchange:** We have had NC FAST going for quite sometime – it is built on the current framework which is a true case management solution. It is not just case management, it does eligibility determination and does numerous other things. With the enterprise service bus which is our overall architecture we can communicate to other parties through one seamless solution. There are no direct connections into NC FAST we always go to the bus. We use standard protocols, we go into the bus with a name compliance this is a federal standardization as far as communicating data between different entities back and forth, so that we are leveraging and we work with ITS to build that service bus and to move on. One of the problems that came up was the benefit exchange. How can we solve that problem but yet still leverage what we have without “re-inventing the wheel”? Do we already have a solution for that particular issue? One of the things that we put together was – with NC FAST – we are the case management system – I will explain all the six projects when it comes to what is inside of NC FAST. One of them is replacing the Medicaid Eligibility System. With the Benefit Exchange we obviously have to determine Medicaid Eligibility through that – is the solution to have its own rules engine, its own system, have its own silo and then communicate back and forth or

would it be to leverage what we already have? That is how we put forward with that. I know we have spoken about that before. Slide 11 with the addition of one small module when it comes to the overall picture as far as all the overall picture of the framework we were able to leverage the existing infrastructure eligibility system of NC FAST and the service bus in conjunction with ITS to solve that particular need and to move on. That is some of the ways when we look at Case Management, identifying that fit – does it fit within the framework of the software we have with minimal extensions to solve this particular business need.

**NC Fast and the Curam Solution:** We have nine different benefiting programs that we deal with across multiple different service areas within DHHS. On the Economic Benefits Side we have Child Care, Food and Nutrition Services, Medicaid, NC Health Choice for Children, Work First, Energy Assistance, Special Assistance and Refugee Assistance – on the Services Side we have Child Welfare and Adult and Family Services. Slide Two: We have the Curam Enterprise Framework – the overall nuts and bolts of the application – and we have the Enterprise Modules on top of that – decision assist – you put in some basic information in runs through some basic rules – it comes up with a decision assist to help that case worker move to the next step of the process.

**Citizen Self Service Piece:** One of the solutions that we needed to try and solve was how do we get citizens to be more self servant in being able to apply for these benefits on line – be able to check on the status of an application – to do re-certifications – to do change of circumstance. Right now it is a very manual process – they have to go into an office – they have to deal with case workers and go through a pains taking process where we put something forward. So we are building upon the framework and still staying within the constraints of the framework because that makes upgrades easier – every piece of software comes with an upgrade – just like your home computer - we have updates all the time – if you extend beyond the framework too far the updates break things and then you have to fix them – you spend a lot of time doing that – that was some of the lessons learned from other states that we have ascertained.

**Electronic Pre-Assessment Screening Service – ePASS:** We were able to put that out pretty quickly. We look the citizen self services module – trained the employees on the current framework - Phase 1- we implemented the first project within four and a half months – Phase 2 - which was the ability to go through very scripted questions - at the end of it printout a paper application because NC FAST isn't alive yet – that was implemented within another four months.

**NC FAST Case Management Integration Projects:** Project 1. - Global Case Management and Food and Nutrition Services – that is about ready to implement in the next thirty days. We have Project 2. - 2&6 - Part 1. Screening and Intake for Work First (TANF), Medicaid, Special Assistance, and Refugee Assistance – Part 2: Eligibility for Wok First (TANF), Medicaid, Special Assistance and Refugee Assistance. Project 3. - Low Income Energy Assistance Program (LIEAP), Child Care and Crisis Intervention Program (CIP). Project 4. - Child Services Program and Project 5. - Aging and Adult Services. Project numbering above is not in the order of implementation Project 2 and Project 6 have been combined into P&6 EIS. Project 1 we are about to implement, Project 2&6 is well underway and we are going to implement that early next year (October)– Project 4 – early summer; Project 3 and 5 are not overall yet we are always looking to refine. Timeline see Slide 16.

**Case Management Consolidation Cost:** We are under a Federal APDU – we are approved under the 90/10 funding for enhancement projects for Medicaid under rule 76A - we do have a cost allocation – with NC FAST the problem is now that we are no longer stove piped we will be one consolidation into

one integrated system - it shares evidence – it shares information. I put my information into the system – it knows all the basic information about me. That has to be cost allocated a slightly different way across – when we are talking about a cost allocated system as opposed to a stove pipe system.

### Questions:

Senator Hise: How many case management systems do you currently have within DHHS whether operational or in development? How many different silos? Answer: With NC FAST we will be consolidating 19 legacy systems that are cobalt based into NC FAST. We have some other smaller systems that when we looked at the scope for NC FAST as we look at those older applications to move them into newer technology we are trying to leverage the current framework and move those into that as well. Follow-up – Will those legacy systems be shut down and eliminated one by one and eventually all your case management systems should be on a short time line? Answer: Yes, with food stamps, our first project, we will be on line in about 30 days with 4 counties, so when they go live with NC FAST they no longer have access to the legacy system for food stamps – we will be done with our rollout by October of this year all 100 counties will be on NC FAST not the legacy system. The same approach will happen with all.

Representative Avila: This was a fabulous presentation – I wish I understood it – let me ask you a question – if I drop my name in there what would happen? Answer - The first thing that it would do is see if you are on any benefiting program within the system – whether you are a recipient – whether you are a custodial of a particular individual on the system - if you are not then it then goes out and searches the common name system – do we know you in the department – if we do then we will bring in the information that we know – we will bring in some basic information like your name, address etc. – if you are in the system on a benefiting program it shows – depending on the level of security – it will show you on the integrated case level which is the overall master case – think of it as the file cabinet – we can pull up your income, your age, your demographics, etc., then it shows every product or service that you are on – either you have been on it in the past and are now off of it – or if you are on it - it will show up. It is all one system. Follow-up: Your phrase “level of security” – I am assuming that at different levels the client themselves and people of different agencies have access only to specific types of information, could you elaborate on your system of access and where people have access to certain information? Answer: For example; if you are a change one business process within DHHS so we are trying to get away from the work force strategies that is going on within the department – we are trying to do away from a food stamps case worker, a Medicaid case worker – we want to have an overall eligibility case workers. So your level of security – if you are an overall eligibility case worker you have access of all food stamps cases, all Medicaid cases, etc. but you may not have access to a child welfare case because child welfare does very specific things because of security we cannot show a food stamp worker or an overall eligibility case worker. We also have read access only with certain levels of security – for our call center. Follow-up: You mentioned that you are doing away with the food stamps case worker, Medicaid case worker etc. Where is the economics of scale going to enter in that? Are we going to see a reduction in force because of this particular technology change - What actions are going to take place in terms of staff? Answer - It depends on the counties on how they want to organize – I would not necessarily say it is a reduction in force because they are overwhelmed today – NC FAST might save two hours per case to process all the information rather than all the different stove pipe systems. The case workers have a 10,000 case backlog that is going to take a long time to get the backlog process through and then they can look at efficiencies in their own systems. It all depends on how the counties are organized and how they leverage the system. Follow-up: You are talking this from the county level what will the impact be at the State Level in DHHS? Answer: We do not do any case work at the state

level – for consolidated reporting – for the maintenance effort is one consolidated system - the way that we have established it by service bus there is no direct connections into NC FAST so we spent a lot of time doing the service orientated architecture up front which means the maintenance of those interfaces over time should be less.

Senator Brock – Comment – I attended a Social Services all day Workshop this past Monday to see how this would work and saw how this implementation would speed up time and what they have now and one of the systems was with Beth Woods – looking at their backlog and how it has increased with this economic cycle with where they are currently – if they did not take some of the preventative measures with some of the programs they would have gummed up the works – luckily they took some preventative measures in some areas before hand – I think this system will relieve some of the backlog and maybe in the future when times get better – we may see some reduction in force.

**Enterprise Grants Management - Gary Thomas, IT Director, Department of Transportation – Jill Stewart, IT Specialist, Department of Transportation – Attachment 4.**

Gary Thomas:

One of the first questions asked us is why is DOT doing state wide grants? – Section 6A.7 (b) of Session Law 2011-145 Directed by the State CIO – DOT was to plan and implements an enterprise level grants management system – Analysis done by ITS of existing grant systems in NC state government recommended the SAP grants management system at the DOT for a shared-services based Grants Management application – the initial project will validate the SAP system’s ability to meet business requirements of other agencies, identify risks and begin developing an implementation plan for phasing in all agency grant programs.

**NC DOT Grants:** We needed to modernize grant processing – by eliminating paper and spreadsheets - streamline and standardize business processes and provide online solution for constituents. We Leveraged SAP investment by existing financial and payment processes – existing infrastructure and existing labor pool. We implemented 30 grant programs in 3 program areas for less than \$350K (new spend).

Jill Stewart:

Within the Department of Transportation there has been a definite need to modernize grants processing – we have been largely paper based – we needed to streamline the business processes. We needed an on line solution for the constituent. So far we have implemented about 30 programs in three different program areas for less than \$350,000 in new spend. Taking what we already have done with SAP - with internal labor and expanding a couple of areas.

**What is Grants Management?** Legally a grant is defined as a grant which can get a little confusing. The State as a Grantor – the state is publishing grant programs and the state is giving out money whether it is on behalf of the federal government or on behalf of the state – we are receiving applications and assessing those awards and making payments. DOT has been involved with the State as Grantee the recipient award and we handle all of that through SAP – that is far more centered in the financial processing – we have a custom module that we have build to handle this – when we are talking about expanding grants statewide we are primarily talking about the State of the Grantor.

**Grants Integrated Process:** It is a full program life cycle it deals with each program individually – each has very different regulations – very different considerations – it handles them at the program level – it deals with the budgets – receiving the applications – assessing them – coming up to that firm contract point – making payments - audit – year end and closeout.

**Program Reporting:** We have a full data warehouse that is imbedded into the system – you can see anything at a program view.

**Program Dashboards:** You can look at each program individually – you can access how much one grantee has received.

**NC DOT Business Value:** It is transparent and the auditability of grant program activities – we are controlling unallowable costs up front – we worked with these different agency groups to redefine their business processes and putting a lot of those controls in place – we enabled controls to ensure each grant spent in accordance with Federal Guidelines – to minimized audit concerns – we streamlined activities for proposal to closeout – we reduced grant application cycle time by 50 percent – we have eliminated manual and paper processes.

Gary Thomas:

**Interagency Agreements:** We do a lot of things for DOT - the following is a list of the agencies we provide services to – Department of Public Instruction (School Bus Fleet Maintenance and Inventory) – State Highway Patrol (Fleet Maintenance) – State Ports Authority (Financials and Assets) – Global TransPark (Financials) – Department of Agriculture (Accounts Receivable) – MOU defines scope and terms of services. It is all based on cost recovery – how much it costs to implement them and how much do they pay us for support on an annual basis – to get the annual updates and patches.

**System Integration:** SAP - you have made a big investment up front – and as time go by you get stable and you have all of this functionality available – now is when we get value from our investment - it is a big up front cost to get implementation now it shows not only is there still room for DOT to grow and have more growth if we make it available across the state.

**Benefits of Consolidation:** We are organizing ourselves – we are looking at architecture, hosting, licensing, we are also looking at we need to have integration and integration into the accounting system to make sure we pass all the information on to them. We are looking to add the Governor's office in this first wave.

**Oversight:** Once we get Phase 1 done – we will move onto the next state Agencies. Some of the keys to success obviously state wide is strategic commitment and support. We know this works.

**Funding:** Phase 1 funding is already figured out – now we have to figure out if we just continue on this same path with the rest of the state or we do we play a slightly different role. There will be some opportunity for some reassignment of some resources and retooling; if the SAP system grows we may be able to receive some resources from some agencies. Last key to success is we want to make sure that everybody is happy. Responses have been very positive.

**Questions:**

Senator Hise – With all these Agencies – Who is the business owner of the system of the information – who is it – is it DOT's – if it is, does it continue to be DOT's in the future? Answer: OSBM is the business sponsor and is the oversight to all the grant programs – what we are providing is the service – we are providing assured service for the state for these different agencies to use – the business administration of these grants at this point stays with those individual Agencies. We provide the system for them but their people still administer those grants.

Representative Avila – In your costing process – is there going to be a recognized savings to the agencies that are using this process – service or personnel? Answer: What we have found, so far, is some have nothing – so they are not getting rid of something but it is providing all those efficiencies - others have been trying to implement grants and have failed – they are trying to recover whatever funds they have left - others were ready to go find one – they had a budget of \$200,000.00 or a \$500,000.00– they are ready to go buy another COTS product or build their own grant system – we have the system – we have been farming out our applications at less than \$150,000.00, far less on an annual maintenance basis. It is the philosophy of leveraging not only the systems but the people. Follow-up: So basically you are saying the primary cost saving is that the Agencies would not have to fund an individual system of their own but in terms of the operation of it there is not really any significant savings there? We saw some significant savings within the business area of DOT – we reduced the amount grant verification life cycle by 50 percent. If the savings is in IT we will be able to retool to make those folks available to support a grant system for the state. Follow-up: You had reference in their skill development and that is an area that makes me extremely nervous as we deal more and more with technology at the state level and I am thinking about in terms of funding at the individual salary levels – Where do you see issues coming up? – it may not be the pare view of this Committee but where should be start looking to solve that? Answer: That is one of our biggest challenges right now – the SAP environment is very competitive and is at a high level skill set that normally comes with higher pay – we have trouble recruiting and retaining state employees – we are taking levels and we are also trying to find a higher level qualified experienced person and that has been a challenge.

Senator Brock – We are talking about retooling and trying to find a position title, a position description, to fit a budget want – you talk about the contract – would you please give more detail about that process – we have found out that contracts are a funny thing here in the state and the things we are looking at that is one thing that I have concern? Answer: What ever it costs us to implement – you pay us back – and then whatever we deemed to be the appropriate “your share” of the annual maintenance you pay us on a regular basis – that is how we have been doing this in Phase 1 and we could very well continue to do that in Phase 2 – it has been working just fine – or maybe we will learn something in this first Phase that will take us on a different path – from a DOT perspective we are satisfied.

**North Carolina Accounting System (NCAS) – Julie Batchelor, Deputy State Controller, Office of the State Controller – Anne Godwin, Deputy State Controller – Clayton Darnell, Senior Business Systems Analyst – Attachment 5.**

#### **Questions:**

Representative Avila – It is curious that all your payments come out to about 7 billion dollars – and we are spending 19 billion who rights the other checks? Answer: Well, you have other systems - the first agency that comes to mind is the DOT – of course their payments are made out of the SAP System – again these are specific payments that are generated from the North Carolina Accounting System. DHHS has some sub systems where they do payment transaction – that does not include Medicaid. Follow-up:

Who balances the checks? Answer: For the dispersing of the accounts – each agency is responsible their own dispersing account. Follow-up: Is there a total “everything in one basket” final report that we could take a look at? Answer: Yes, that is available and I will get back with you.

Senator Brock – Comment – I know we have gone over about the history and legacy of this program and what it would cost to update it in General Government – for about 15 years now and the cost is \$350 Million and we just have not had enough money to go there.

Senator Hise – What is our timeline on the evaluating tablets? Answer: Yes we are working on the evaluation form now - the questionnaire will be forwarded to members and staff on line everything will be ready to go by the May 3<sup>rd</sup> Meeting.

The meeting was adjourned at 3:25 pm.

Respectfully submitted,

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Senator Andrew Brock  
Chairman

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Janet Black  
Committee Assistant